

Message Text

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70

ORIGIN EB-11

INFO OCT-01 EUR-25 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEA-02

OMB-01 SWF-02 OIC-04 AF-10 ARA-16 EA-11 NEA-14 /248 R

DRAFTED BY EB/TA:WTADAMS:MEH

APPROVED BY EB/OT:MWGLITMAN

EB/IFD/OMA:GPBALLABANIS

STR:SLANDE

EUR/NE:APINKNEY

COMMERCE:RFRANCIS

EB/TA:WBARRACLOUGH

TREASURY:WBARREDA

TREASURY:EMALONEY

AGRICULTURE:KREYNOLDS

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P R 242143Z MAY 74

FM SECSTATE WASHDC

TO USMISSION GENEVA PRIORITY

AMEMBASSY REYKJAVIK PRIORITY

INFO AMEMBASSY OTTAWA

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN DUBLIN

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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E.O. 11652: N/A

TAGS: ETRD, GATT, IC

SUBJECT: ICELANDIC IMPORT DEPOSIT SCHEME

REF: GENEVA 3191

1. IN GATT COUNCIL MEETING TO CONSIDER ICELANDIC IMPORT DEPOSIT SCHEME US REP SHOULD BE GUIDED BY THE FOLLOWING CONSIDERATIONS. US DOES NOT WANT TO BE OUT IN FRONT IN MAKING DEMANDS ON ICELAND. ON THE OTHER HAND WE ESTIMATE THAT THE ICELANDIC MEASURES AFFECT WELL OVER HALF OF \$26 MILLION TOTAL US EXPORTS TO ICELAND IN 1973. MORE SIGNIFICANTLY, THE US SEES A REAL DANGER OF SUCCESSIVE NATIONAL RESTRICTIONS THREATENING INTERNATIONAL ECONOMIC STABILITY AND UNDERMINING THE OECD SPONSORED CURRENT ACCOUNTS STANDSTILL AND THE IMF PLEDGE UNDER CONSIDERATION IN THE C-20. THE LIST OF COUNTRIES WHICH HAVE INSTITUTED RESTRICTIVE MEASURES NOW INCLUDES ITALY, DENMARK, AND ICELAND AND THE US FEARS OTHER COUNTRIES MAY BE STIMULATED TO FOLLOW SUIT. FOR THIS REASON THE US WOULD LIKE TO SEE A THOROUGH EXAMINATION OF THE FACTORS WHICH INDUCED THE ICELANDIC MEASURES.

2. AT THE COUNCIL MEETING THE US REP SHOULD:

A. INDICATE AN UNDERSTANDING OF THE SPECIAL FEATURES OF THE ICELANDIC ECONOMY WHICH MAKES THIS A

PARTICULARLY DIFFICULT PERIOD; EXPRESS REGRET AND CONCERN THAT, IN TERMS OF IMPACT ON THE INTERNATIONAL COMMUNITY, ICELAND CONSIDERED SUCH MEASURES NECESSARY; STRESS THE IMPORTANCE OF OBTAINING THE FULL DETAILS AND RATIONALE BEHIND THE MEASURES; AND STRESS OUR HOPE THAT THE MEASURES WILL BE RESCINDED AT THE EARLIEST POSSIBLE MOMENT.

B. EXPRESS OUR CONCERN THAT THE LENGTHENING LIST OF COUNTRIES TAKING RESTRICTIVE MEASURES MUST BE STOPPED, LEST THE SITUATION DEGENERATE INTO A SPIRAL OF SELF DEFEATING TRADE RESTRICTIONS RESULTING IN SERIOUS INJURY LIMITED OFFICIAL USE

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TO INTERNATIONAL ECONOMIC STRUCTURES.

C. SUPPORT THE ESTABLISHMENT OF A WP(1) TO EXAMINE THE ICELANDIC IMPORT DEPOSIT SYSTEM AND ITS IMPLICATIONS FOR OTHER GATT CONTRACTING PARTIES AND (2) TO KEEP THE MEASURE UNDER REVIEW. RUSH

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